

FAST FACTS

- ◆ Consumers lose an estimated \$40 billion a year to telemarketing fraud.
- ◆ Senior citizens often are the target of telephone scams; the FBI estimates that as many as 80 percent of the victims are older people.
- ◆ The Telemarketing Sales Rule is enforced by the Federal Trade Commission, State Attorneys General, and in some instances, private citizens. The Rule empowers consumers to stop unwanted telemarketing calls and for the first time gives specific ways to tell legitimate companies from telephone crooks.

THE SCAMS

According to the National Fraud Information Center, a project of the National Consumers League, the top fraud complaints are:

Sweepstakes / contests. To enter sweepstakes or contests, no purchase is necessary; however, the offers lead you to believe that you have a better chance to win if you purchase their products. If you want to enter their sweepstakes or contest, go ahead but don't make unwanted purchases to do so.

Magazines / publication offers. You are offered all kinds of "merchandise" to order different magazines and when you order them, the "merchandise" you receive is worthless.

Work-at-home schemes. Beware of the promise of hundreds of dollars for addressing mail, etc. You are usually required to purchase costly supplies and do not make the promised income.

Investments schemes. Investment scams are characterized by representations of high earnings with little risk. They capitalize on consumers' financial needs, naivete, and optimism. These scams are most common in economically depressed areas. The type of investment varies from gems and rare coins to FCC licenses and oil and gas leases. What consumers should remember is that the level of risk is usually proportional to the size of the return. Therefore, high earnings with little or no risk is false and misleading. Before you do business with a company, check it out with the Better Business Bureau.

Advance fee loans / credit offers. Most credit scams and specifically, advance-fee scams, "guarantee" or represent a "high likelihood of success" that the caller will be able to get or arrange a loan or other form of credit for a consumer, regardless of the consumer's credit history. These scams differ from legitimate, guaranteed offers of credit in one critical way: they require payments up front, before the lender is identified and the application is completed. Companies that do business by phone can't ask you to pay for credit before you get it.

Phony prize scams. Consumers are told they have won a valuable prize, but that they must buy expensive merchandise or pay hundreds of dollars in handling fees or taxes to receive the prize.

Overseas pager scams. Consumers return a pager message at a telephone number with an unfamiliar area code, unaware that they are calling a foreign number connected to high-priced phone services that provide useless information or adult-oriented material.

Credit repair. Companies promise, for a fee, to clean up a credit report so a consumer can get a car loan, a home mortgage, or even a job. The truth is that they can't deliver. No one can legally remove accurate and timely negative information from a credit report.

Employment service scams. Consumers are generally promised jobs that pay well yet demand few skills or little training. Legitimate job placement firms that work to fill specific positions cannot charge an upfront fee.

Fraudulent real estate deals. These scams take generally two forms: fraudulent brokers who represent that they can sell consumers' property for a high return and fraudulent sellers who want to sell bogus property to unsuspecting consumers. Fraudulent brokers misrepresent the market and the size of their lists of sales agents and potential buyers for the property. They have upfront "listing" or "brokerage" fees. You should never pay any fees until property is sold and don't buy property based on pictures or representations.

Fraudulent scholarship services. Some scholarship search services misrepresent their services, guaranteeing that they can obtain scholarships or actually award scholarships to students for an advance fee. Usually all the consumer receives is a list of scholarships or grants for which they can apply. Other fraudulent companies provide nothing for the student's advance fee.

Travel and vacation scams. These scams usually are characterized by free or exclusive offers or unrealistically low prices. Often these scams are linked to prize promotions or sweepstakes offers. They fail to disclose that certain fees, conditions, and restrictions apply and they misrepresent the nature or quality of the travel and hotel accommodations. You might have to spend one of the two free days in Florida attending a timeshare presentation or else pay for your hotel. A cruise to the Bahamas may turn out to be a short "ferry" ride. Consumers routinely lose hundreds of dollars in these scams.

Recovery room operators contacting people who have lost money to a previous telemarketing scam and promising that they will recover lost money or the product or prize you never received in exchange for a fee or donation to a specified charity.

HOW NOT TO FALL FOR TELEMARKETING FRAUD

- ◆ Don't buy from an unfamiliar company.
- ◆ Ask for - and wait until you receive - written information about the offer.
- ◆ Check out unfamiliar companies or suspicious offers with officials.
- ◆ Don't be pressured into a decision.
- ◆ Above all - don't give out your credit card or checking account number.
- ◆ If it sounds too good to be true, it probably isn't true.

HANG UP ON TELEMARKETING FRAUD

Consumer advocates have urged potential fraud victims to "just hang up" when telephone marketers offer "too good to be true" luxury prizes and surefire "double your money" investments, etc. While many legitimate telephone markets operate in this country, consumers need to know that they don't need to be taken in by slick con men. People who use illegal telemarketing tactics to dupe consumers out of their money are not salesmen or saleswomen, they are crooks and criminals. They do with sweet-sounding sincerity on the telephone what muggers do in person: they steal your money.

HIGHLIGHTS OF THE TELEMARKETING SALES RULE

It is illegal for a company's telemarketer to call you if you have asked that company not to call you.

Calling times are restricted to the hours between 8 a.m. and 9 p.m.

Telemarketers must tell you it's a sales call, the name of the seller, and what they are selling before they make their sales pitch. If they are promoting a prize, they must tell you that no purchase or payment is necessary to enter or win. If they ask you to pay for a prize, hang up. Free is free.

It's illegal for telemarketers to misrepresent any information, including facts about their goods or services, earnings potential, profitability, risk or liquidity of an investment, or the nature of a prize in a prize-promotion scheme.

Telemarketers must tell you the total cost of the products or services offered and any restrictions on getting or using them - or that a sale is final or non-refundable - before you pay. In a prize promotion, they must tell you the odds of winning, that no purchase or payment is necessary to win, and any restrictions or conditions of receiving the prize.

It's illegal for a telemarketer to withdraw money from your checking account without your express, verifiable authorization.

Telemarketers cannot lie to get you to pay, regardless of the method of payment you choose.

You do not have to pay in advance for credit repair, recovery room, or advance-fee loan/credit services until you receive the services.

Violators of Telemarketing Sales Rule face up to \$10,000 in fines for each violation.

State Attorneys General as well as the Federal Trade Commission and in some cases individual consumers, can bring an action against alleged offenders.

To report a scam or a fraud, Contact:

National Fraud Information Center (NFIC)
Consumer Assistance Service
(800) 876-7060 Their Web address is <http://www.fraud.org>

The NFIC provides:

- ▶ Accurate information on how and where to report fraud.
- ▶ Direct complaint referrals to the Federal Trade Commission's National Telemarketing Fraud Database.
- ▶ Advice for consumers

The Federal Trade Commission (FTC) is making it easier and cheaper for consumers to report a fraud to the law enforcement agency through a toll-free Consumer Help Line, 1-877-FTC-HELP (1-877-382-4357). The line is staffed by counselors from 9 a.m. to 8 p.m., Eastern Time, Monday through Friday. Through the toll-free Help Line, consumers can get helpful information on the spot. The FTC can't intervene in individual disputes, but consumer complaint information is crucial to the enforcement of consumer protection laws. The FTC web site is <http://www.ftc.gov> or for the online complaint form, or you can write to FTC, Consumer Response Center, Washington DC 20580-0001.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available.

Call our toll-free number or write to the address on the cover for information on the brochures or for further consumer credit information.



TELEMARKETING FRAUD



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
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317-232-3955
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